

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE LES BROWLEE

UNDER SECRETARY OF THE ARMY

AND

ACTING ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ARMY CIVIL WORKS PROGRAM

FISCAL YEAR 2004

FEBRUARY 27, 2003

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Mr. Chairman and distinguished members of the Subcommittee:

INTRODUCTION

Thank you for the opportunity to testify before this subcommittee of the Transportation and Infrastructure Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2004.

Accompanying me this morning is Lieutenant General Robert B. Flowers, Chief of Engineers.

ARMY CIVIL WORKS PROGRAM FOR FISCAL YEAR 2004

The FY 2004 budget for Army Civil Works provides funding to continue the development and restoration of the Nation's water and related resources, the operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, the protection of the Nation's regulated waters and wetlands, and the cleanup of sites contaminated as a result of the Nation's early atomic weapons program.

The FY 2004 budget for Army Civil Works includes new discretionary funding requiring appropriations of \$4.194 billion and an estimated \$4.234 billion in outlays from discretionary funding (see Table 1). These figures are approximately the same as in the FY 2003 budget.

The new discretionary funding includes \$812 million from the Harbor Maintenance Trust Fund. Of this amount, \$607 million is for harbor operation and maintenance and dredged material disposal facility construction under existing law and \$205 million is for harbor construction under a legislative proposal set forth in appropriations language proposed in the budget. The discretionary funding also includes \$256 million from the Inland Waterways Trust Fund. Of this amount, \$110 million is for construction and rehabilitation on the inland waterways under existing law, and \$146 million is for operation and maintenance of the inland waterways under a legislative proposal set forth in appropriations language proposed in the budget. The new uses proposed for these two funds are described in greater detail in the discussion of budget highlights.

The Administration is submitting a legislative proposal for direct funding of hydropower facility operation and maintenance by Federal power marketing administrations. New discretionary funding of \$145 million would be derived from direct funding. This proposal also is described in greater detail in the discussion of budget highlights.

Other sources of new discretionary funding include \$2.947 billion from the general fund and \$34 million from Special Recreation User Fees.

Additional program funding, over and above funding from the sources requiring discretionary appropriations, is estimated at \$494 million. This total includes \$143 million from the Bonneville Power Administration for operation and maintenance of hydropower facilities in the Pacific Northwest, \$278 million contributed by non-Federal interests for their shares of project costs and for project-related work, \$58 million from the Coastal Wetlands Restoration Trust Fund, and \$16 million from miscellaneous permanent appropriations.

Preparation of this year's budget included a new process for assessments of program performance. These assessments were intended to improve the effectiveness of Civil Works programs and to improve the quality of their management and oversight. These assessments, and how their results are reflected in budget decisions, are described in greater detail in the discussion of budget highlights.

PROGRAM HIGHLIGHTS

Highlights of the FY 2004 budget for Army Civil Works include: an emphasis on priority missions, anti-terrorist facility protection, and emergency preparedness, response, and recovery; an emphasis on continuing construction projects and a de-emphasis on design and initiation of new projects; and legislative proposals for expanded user financing of projects through the Harbor Maintenance Trust Fund, the Inland Waterways Trust Fund, and the Federal power marketing administrations. These highlights are

described in greater detail below and are followed by information on proposed studies and management initiatives.

Priority Missions

The budget gives priority to ongoing studies, projects and programs that provide substantial benefits in the primary (or “core”) missions of the Civil Works program, which are commercial navigation, aquatic ecosystem restoration, and flood and storm damage reduction.

The budget also provides funding for other areas of Corps involvement, including regulatory protection of waters and wetlands, cleanup of sites contaminated by the Nation’s early atomic weapons program, and the management of natural resources and provision of hydroelectric power and recreation services at Federally operated Civil Works projects.

No funds are provided for studies and projects that carry out non-traditional missions that should remain the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment, irrigation water supply, and municipal and industrial water supply treatment and distribution. Furthermore, the budget does not fund individual studies and projects that are inconsistent with established policies governing the applicable missions.

Anti-Terrorist Facility Protection

Following the events of September 11, 2001, the Corps received appropriations of \$174 million to provide facility protection measures (such as guards) that have recurring costs, to perform assessments of threats and consequences at critical facilities, and to design and implement the appropriate “hard” protection at those critical facilities. The Administration is continuing its commitment to facility protection in FY 2004, with a budget of an additional \$104 million for facility protection.

In addition, the budget includes a legislative proposal, set forth in appropriations language proposed in the budget, to use funding from the Operation and Maintenance (O&M) account to protect not only operating Civil Works projects that normally are funded from the O&M account, but also administration buildings and facilities and those operating projects that normally are funded from the Flood Control, Mississippi River and Tributaries account. This legislative proposal would also authorize using Civil Works O&M funds to pay for protecting the Washington Aqueduct drinking water plant, which is normally funded from revenues that are generated by selling drinking water and subsequently appropriated in the District of Columbia Appropriations Act each year.

Of the \$104 million in the FY 2004 O&M budget for facility protection, \$91 million is for O&M-funded projects and \$13 million is for other projects and facilities.

Emergency Preparedness, Response, and Recovery

The Flood Control and Coastal Emergencies account finances response and recovery activities for flood, storm, and hurricane events, as well as preparedness for these natural events and for support to the Federal Emergency Management Agency through the Federal Response Plan.

The recent performance assessment of this program concluded that it is moderately effective overall. The FY 2004 budget provides \$70 million for this account. This amount is approximately what the Corps spends on emergencies in a typical year. This amount would ensure that there are sufficient funds to respond to major flood and storm emergencies and would reduce the likelihood of having to borrow from other accounts or seek emergency supplemental appropriations for recovery efforts.

Emphasis on Ongoing, Budgeted Construction Projects

The Corps estimates that current backlog (that is, the estimated costs to complete construction projects funded in the budget) exceeds \$20 billion. In recent years, these projects have had to compete for funding with numerous new construction starts. To maximize the net benefits of the construction program and realize those benefits more quickly than under current trends, the budget limits funding for the planning and design of new projects, provides funding to complete all of the projects that can be completed in FY 2004, and provides substantial funding for eight projects that we consider to be the highest Civil Works priorities nationwide.

The budget includes funding for continuation of 148 projects and completion of 13 projects. In addition, the budget includes funding across all accounts to continue or complete design of 22 proposed projects. These projects were selected based on their economic and environmental returns and because design is nearing completion. The budget defers work on all lower priority design efforts.

Table 2 (attached) displays benefit/cost information on projects under construction. The table provides information on remaining benefits and remaining costs and is presented for all projects at a discount rate of 7 percent.

Expanded Use of Navigation Trust Funds

The budget includes legislative proposals to expand the authorized uses of the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund. These proposals would shift some costs now borne by general taxpayers to the commercial users of Federal navigation projects, and would apply the unused balances in these accounts in FY 2004 for the benefit of navigation. These legislative proposals are included in the proposed appropriations language appearing in the Budget Appendix for FY 2004.

The Inland Waterways Trust Fund would be used to finance 25 to 50 percent of operation and maintenance costs for inland waterways, in addition to the currently authorized financing for 50 percent of construction costs. Inland waterways with

average commercial traffic of more than 5 billion ton-miles per year would be financed 25 percent. All other inland waterways would be financed 50 percent.

The 5 billion ton-mile criterion was selected to distinguish between high commercial-traffic projects that would be funded 75 percent from the general fund and 25 percent from the Inland Waterways Trust Fund and those projects with lower commercial traffic that would be funded 50 percent from each source. This criterion was used because the projects with commercial tonnage above the criterion are those that provide a greater return to the Nation and, consequently, are suitable for a higher level of support from general taxpayers.

The Harbor Maintenance Trust Fund would be used to finance the Federal share of harbor construction costs, in addition to the currently authorized financing for the Federal share of harbor operation and maintenance costs and for the Federal share of the costs of confined dredged material disposal facilities.

Direct Financing of Hydropower Operation and Maintenance Costs

Historically, each year the Army Civil Works program has financed the operation and maintenance costs of Corps of Engineers hydroelectric facilities, and Federal power marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest, where under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration (BPA) has directly financed the costs of operating and maintaining the Corps' hydroelectric facilities from which it receives power. BPA has been providing operation and maintenance funds in this manner each year, beginning in FY 1999, and all parties agree that this financing arrangement is working well.

Each year, Corps facilities experience unplanned outages around 3 percent of the time. In 1999, the General Accounting Office found that the Corps' hydropower facilities are twice as likely to experience "unplanned outages" as private sector facilities, because the Corps does not always have funds for maintenance and repairs when needed.

To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations would make those hydropower operation and maintenance investments that they believe are justified in order to provide economical, reliable hydropower to their customers and that, as a consequence, unplanned outages would decline over time to levels comparable to the industry average. The Administration is submitting this legislative proposal for consideration as part of proposed authorizing legislation for the Department of Energy and related agencies.

PROPOSED STUDIES AND MANAGEMENT INITIATIVES

The FY 2004 budget for Civil Works includes a limited number of new studies, as well as a number of management initiatives. These proposals are designed to support the Administration's priorities, to improve program effectiveness, and to improve the quality and objectivity of project planning and review.

The budget includes a number of proposals that, taken together, represent a strong commitment to improving the quality and objectivity of planning and review for new projects. The budget includes \$3 million to initiate the independent review of complex, costly, or controversial project proposals. The budget also includes \$2 million for a new, one-time "ex-post-facto" economic analysis of completed projects, to assess whether Corps projects are delivering the benefits that were anticipated when they were planned. This study will help the Corps to see where it was right and where it was wrong, and to understand the reasons for its successes and failures in its process for estimating benefits, in order to improve future analyses. In addition, the budget contemplates realigning Corps planning expertise to ensure that this capability is used to best advantage. Concurrently, the Corps is improving planner training and streamlining and standardizing its business processes, and my office has established a project planning and review group to oversee project development.

The budget includes \$1 million to initiate a new study of long-term options for the operation and maintenance of existing low-use harbors and waterways. The study would characterize the low-use facilities and would include economic analyses supporting the options.

Five programs within Civil Works were assessed during development of the FY 2004 budget: the hydropower program; the flood damage reduction program; the inland waterway navigation program; the Flood Control and Coastal Emergencies program; and wetlands-related activities other than the Regulatory Program. In addition, the effectiveness and cost of wetlands and flood damage reduction activities were compared with other agencies. In response to the Flood Control and Coastal Emergencies program evaluation, the budget allocates significant funding to this program. After reviewing the evaluation of the flood damage reduction program, we increased funding for our two highest priority projects and identified them for the first time in the budget. The reviews also helped in developing the financing proposals for inland waterways and hydropower, described above.

The Army Civil Works program is continuing its efforts to integrate strategic and performance planning with budgeting, which is part of the President's Management Agenda and is required by the Government Performance and Results Act. A draft Strategic Plan for the Army Civil Works program is being reviewed. In addition, draft performance plans for the Army Civil Works program are under review. After completion of Administration review, all of these plans will be transmitted to Congress.

There are four other elements of the President's Management Agenda. For the human capital initiative, the Corps of Engineers has prepared and is carrying out a strategic

human capital plan. The Corps is reviewing its current organization and management in an effort to improve the quality and objectivity of project planning work. For the financial management initiative, the Corps is working with the Department of Defense Inspector General to resolve audit issues and obtain an unqualified audit opinion on its financial statements for future fiscal years. For electronic government and information technology, the Corps has upgraded its capital planning and control processes and prepared business cases for most of its key systems. For competitive sourcing of commercial functions, the Corps has prepared a draft competition plan, which is under review. The Corps is also responding to the Army's "third wave" initiative supporting Army transformation, the war on terrorism, and the competitive sourcing initiative.

APPROPRIATION ACCOUNTS

General Investigations

The budget for the General Investigations program is \$100 million. Within this amount, \$10 million is to continue or complete preconstruction engineering and design of 19 projects. The funding levels proposed for this account – and the way that we have proposed to allocate that funding – are key elements for our strategy to address the construction backlog. They reflect an emphasis on completing policy-consistent projects that are already budgeted in the Construction account, rather than continuing to plan, design, and initiate new work.

The remaining funding would be used to continue policy-consistent reconnaissance and feasibility studies, coordination, technical assistance, and research and development, as well as to initiate five reconnaissance studies and the independent review and ex post facto analysis studies described above.

The budget includes funding for 5 new reconnaissance studies that exemplify the watershed-based approach to solving water problems and would enable the Corps to test holistic methods for planning sustainable watershed development. (After the FY 2004 budget was released, the Congress provided funding to initiate one of the studies in FY 2003.)

Construction

The FY 2004 budget for the Construction program is \$1.35 billion. Of that total, \$110 million would be derived from the Inland Waterways Trust Fund to fund 50 percent of the costs of construction and major rehabilitation of inland waterway projects, and \$7 million would be derived from the Harbor Maintenance Trust Fund to fund the Federal share of dredged material disposal facilities at operating coastal harbor projects. In addition, under the Administration's legislative proposal, \$205 million would be derived from the Harbor Maintenance Trust Fund to fund the Federal share of construction costs for coastal harbor projects.

With three exceptions, funding is included in this account only for projects that meet the following criteria: the project has been funded in this account in a previous budget request; physical construction of the project has started by FY 2003; the project has been actively under physical construction in at least one of the last three years; and the Executive Branch has completed a review and made a determination that the project supports priority missions and is consistent with established policies.

The three exceptions include one project proposed in the FY 2004 budget as a construction new start, the Chief Joseph Dam Gas Abatement Project, Washington, which is necessary in order to satisfy the requirements of Biological Opinions for the Columbia River Basin. (After the FY 2004 budget was released, the Congress provided funding to initiate construction of this project in FY 2003.) The other two exceptions involve preconstruction work at two projects, namely, design of the dam safety improvement project at Success Dam, California, and continuing analysis and coordination for the Delaware River Main Channel Deepening Project, New Jersey, Pennsylvania, and Delaware.

In addition to funding the completion of 13 projects in FY 2004, the budget provides substantial funding for our eight highest priority projects. These high priority projects are the New York and New Jersey Harbor deepening project (\$115 million); the Olmsted Locks and Dam, Illinois and Kentucky, project (\$73 million); projects to restore the Florida Everglades (\$145 million) and the side channels of the Upper Mississippi River system (\$33 million); projects to provide flood damage reduction to urban areas, namely, the Sims Bayou, Houston, Texas, project (\$12 million) and the West Bank and Vicinity, New Orleans, Louisiana, project (\$35 million); and projects to meet environmental requirements in the Columbia River Basin (\$98 million) and the Missouri River basin (\$22 million). The Everglades work actually is comprised of three distinct projects, as is the Columbia River Basin work.

The budget provides \$80 million for planning, design, and construction of projects under the Continuing Authorities Program. These are small projects for flood damage reduction, navigation, shoreline protection, streambank protection, navigation project impact mitigation, clearing and snagging, aquatic ecosystem restoration, beneficial uses of dredged material, and project modifications for improvement of the environment.

The continuing program for beneficial uses of dredged material is being expanded to encompass additional types of beneficial uses at operating projects. In addition to restoring aquatic resources pursuant to section 204 of the Water Resources Development Act (WRDA) of 1990, the program also would be used for shore protection with dredged material pursuant to section 145 of WRDA 76, as amended by section 933 of WRDA 86, and for other beneficial uses with dredged material pursuant to section 207 of WRDA 96.

Flood Control, Mississippi River and Tributaries

The budget includes \$280 million for the Mississippi River and Tributaries program. The budget directs funding to the priority flood damage reduction projects on the mainstem

of the Mississippi River and in the Atchafalaya River Basin, Louisiana. No funding is provided for studies or projects that represent non-traditional missions or are inconsistent with established policies. No funding is provided for new studies or projects.

The budget includes funding for preconstruction engineering and design for the Morganza to the Gulf, Louisiana, project. This project numbers among the 22 projects program-wide that are funded for continuing preconstruction engineering and design.

Operation and Maintenance

The budget provides funding for the Army Corps of Engineers to carry out its operation and maintenance responsibilities at Corps-operated projects for the purposes of commercial navigation, flood damage reduction, recreation, natural resources management, and multiple purposes including hydroelectric power generation. The budget proposes that this account fund anti-terrorist facility protection across all of these purposes and at Civil Works projects and facilities normally funded from this and other accounts, as explained earlier.

The overall budget for the Operation and Maintenance account is \$1.939 billion. Of this amount, \$600 million would be derived from the Harbor Maintenance Trust Fund for coastal harbor maintenance and \$34 million would be derived from Special Recreation User Fees. Under the Administration's legislative proposals, \$146 million would be derived from the Inland Waterways Trust Fund to finance 25 to 50 percent of the operation and maintenance costs for the inland waterways, and \$145 million would be derived from direct funding by three Federal power marketing administrations to finance hydropower operation and maintenance costs.

In addition to this funding, Bonneville Power Administration would provide \$143 million to directly fund the costs of operating and maintaining hydropower facilities in the Pacific Northwest.

The navigation maintenance portion of the budget continues the past policy of focusing resources on harbors and waterways that have high volumes of commercial traffic or that support Federal or subsistence usage. No funds are provided for purely recreational harbors, and the budget limits funding for shallow draft harbors and for low commercial-use waterways. The budget provides: \$620 million for deep draft harbors (harbors with authorized depths of greater than 14 feet); \$40 million for shallow draft harbors; \$311 million for inland waterways with commercial traffic of more than one billion ton-miles per year; and \$71 million for waterways with less commercial traffic, with priority given to those operation and maintenance activities that provide the highest return to the Nation.

The new study of long-term options for low-use harbors and waterways reflects an effort to reach agreement on how to address the needs of these harbors and waterways.

Regulatory Program

The budget for the Regulatory Program is \$144 million. These funds would be used for permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements. This funding supports continued efforts to reduce the average review time for individual permit applications, to improve protection of aquatic resources, and to strengthen protection of regulated wetlands through watershed approaches.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The Formerly Utilized Sites Remedial Action Program (FUSRAP) is an environmental cleanup program for sites contaminated as a result of the Nation's early efforts to develop atomic weapons. Congress transferred the program from the Department of Energy in FY 1998. We are continuing to implement needed cleanups at contaminated sites. This year's budget is \$140 million.

General Expenses

Funding budgeted for the General Expenses program is \$171 million. These funds would be used for executive direction and management activities of the Corps of Engineers headquarters, the Corps division offices, and related support organizations. Within the budgeted amount, \$9 million is for activities funded for the first time from this account: \$2 million is to compete commercial functions between the Federal government and private sources; and \$7 million is to audit the Civil Works financial statements, a function formerly carried out by the Army Audit Agency using its own funding. After adjusting for these two items, the amount of our request is \$8 million above the FY 2003 enacted level. We would use the \$8 million to finance increases in labor costs and efforts to improve planning and management capabilities.

Flood Control and Coastal Emergencies

As discussed above, the budget includes \$70 million for this account to ensure that the Corps has adequate funding available for emergency preparedness and response to actual emergency events.

CONCLUSION

I believe the President's FY 2004 budget for the Army Civil Works program is balanced and will make productive contributions to the economic and environmental well-being of the Nation. The budget continues support to ongoing work, emphasizes primary missions, and applies resources to areas likely to have the greatest national benefit. Providing the requested funding for the Army Civil Works program is a wise investment in the Nation's future.

Thank you.

Table 1

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS
FY 2004 BUDGET

Requested Funding:

General Investigations	100,000,000
Construction	1,350,000,000
Operation and Maintenance	1,939,000,000
Regulatory Program	144,000,000
Flood Control, Mississippi River and Tributaries	280,000,000
General Expenses	171,000,000
Flood Control and Coastal Emergencies	70,000,000
Formerly Utilized Sites Remedial Action Program	140,000,000
TOTAL	4,194,000,000

Sources of Funding:

General Fund	2,947,000,000
Harbor Maintenance Trust Fund	812,000,000
(O&M)	(600,000,000)
(Construction -- Disposal Facilities)	(7,000,000)
(Construction – Legislative Proposal)	(205,000,000)
Inland Waterways Trust Fund	256,000,000
(Construction)	(110,000,000)
(O&M – Legislative Proposal)	(146,000,000)
Special Recreation User Fees – O&M	34,000,000
Power Marketing Admin. – O&M Leg. Proposal	145,000,000
TOTAL	4,194,000,000

Additional New Resources:

Rivers and Harbors Contributed Funds	278,000,000
Bonneville Power Administration	143,205,000
Coastal Wetlands Restoration Trust Fund	57,680,000
Permanent Appropriations	15,605,000
TOTAL	494,490,000

<u>Total Program Funding</u>	4,688,490,000
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